

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Kristi Bowman, Committee Assistant

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002 Chair Butler Calls meeting to order at 1:03 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2776

005 Mary Ayala Gives overview of HB 2776 (Exhibit 1). The bill eliminates the sunset date for the historic property exemption, and it allows residential owners of historic property to reapply for a second 15 year period of special assessment.

059 Chair Butler Comments that the 529 historic residence homeowners who could reapply for the special assessment would come back on the tax rolls at the current rate.

062 Ayala Discusses revenue impact statement (Exhibit 2). There is not a significant revenue impact.

080 James Hamrick Provides informational testimony regarding the historic property tax incentive program. Submits written testimony (Exhibit 3). Comments

that applications for historic residential properties have dropped off in the last few years because of administrative regulations and fees, and adds that the net value of the property over time is substantially reduced. Discusses the history of sunset dates. Comments on special assessments and preservation plans as outlined in his written testimony. Testifies that if properties are going to be approved for a second special assessment period, then a preservation plan should be required.

- 184 Chair Butler Asks if the preservation plans get updated during the assessment period.
- 188 Hamrick Responds that the current statute requires review of the preservation plan four times during the assessment period. If a property owner wants to amend a current preservation plan, they can do that with an administrative review. Submits sample of a historic preservation plan (Exhibit 4).
- 215 Doug Ebner Submits written testimony and handout (Exhibits 5). Testifies in support of HB 2776 in order to preserve historic properties. Recommends some kind of a plan to ensure that the property owner does something to preserve the property other than normal maintenance. Submits copy of e-mail from the Multnomah County Assessor (Exhibit 6) as additional information.
- 243 Rep. Riley Asks about historic property homeowners who did nothing beyond normal maintenance in the first 15 years. Asks if Ebner thinks they will do something more than normal maintenance during the next 15 years.
- 247 Ebner Agrees that many historic property homeowners did no preservation work for the first 15 years of the assessment. That is why he is

recommending some kind of a preservation plan as part of the requirements for the special assessment.

249 Hamrick Comments that before 1995 there was no requirement for a homeowner to make preservation repairs for the first 15 years; after 1995 there was a preservation plan put into place as part of the application process.

270 Rep. Esquivel Comments on similar historical property situations in the Medford area regarding the pre-1995 situation as described by Hamrick.

280 Rep. Olson Asks how the preservation plan is reviewed to ensure compliance
Asks for more specifics about the monitoring program.

283 Hamrick Responds that the program has built-in monitoring procedures and provides the authority to do on-site inspections. Regarding monitoring, if an assessment has been approved, there is a written contract with the homeowner that states when the preservation work should be completed. The contract is reviewed at periodic times during the assessment period.

322 Chair Butler Adds information that the monitoring plan takes place in the third, seventh, and fourteenth years of the assessment period.

324 Hamrick

Adds that open house dates are monitored and statutory responsibilities are reviewed. Special assessments are attached to the deed of sale so that the new owner is aware of responsibilities.

- 342 Chair Butler Asks about open houses—are they well attended?
- 344 Hamrick Responds that the Parks and Rec. Dept. has taken a more aggressive approach on publicity. For example, they issue press releases monthly and the open house information is put on web site.
- 368 Ebner Comments on his own home and the costs of maintaining a historic property.
- 384 Rep. Galizio Asks about how common it is for a residential historic property to be used for commercial purposes.
- 398 Hamrick Responds that in his experience it is common to have conditional uses for historic property, but he rarely hears about direct violations of the law.
- 410 Conrad Stieber Submits written testimony (Exhibit 7). Testifies in support of HB 2776 to retain the special assessment because of the extraordinary costs involved in maintaining a historic residence. Concurs with Hamrick regarding a provision for a preservation plan.

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- 036 Chair Butler Asks Stieber about open house attendance of historic homes.
- 038 Stieber Responds that attendance has been as high as 50 people. Adds that his house is also open to charities. Comments that he wants to “create a house of beauty back to what it once was.”
- 060 Michelle Deister Submits written testimony and handout (Exhibits x and x). Maintain sunset only be extended for a limited time and include preservation plan in bill, hold the line on additional tax expenditures (listed on bottom of testimony) or make it a local tax option.
- 105 Chair Butler Asks about local option impact. Additional discussion with Deister on various tax options. Asks Deister to form a work group with Rep. Esquivel and Stieber to discuss tax options and report back to the full committee.
- 108 Deister Responds that the LOC supports the historic property special assessment program because it has saved many houses that are important to a community’s character and history. Expresses concern that some kind of a plan is missing from the bill for the second 15-year assessment period. Supports retaining a sunset date in the bill because it will force periodic review of the assessment program. Refers to other recommendations in her written testimony (Exhibit 8).
- 120 Chair Butler Questions and answers interspersed with Deister. Appoints work group to craft language for an amendment to the bill that would add a preservation plan.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2776

OPENS PUBLIC HEARING FOR HOUSE BILL 2234

- 165 Ayala Gives overview of HB 2234 (Exhibit 11). The bill removes the limitation on the number of enterprise zones that may be designated for electronic commerce. There are currently four electronic enterprise zones. There are 49 enterprise zones in Oregon, and they can exist for 10 years. Discusses the revenue impact (Exhibit 12). Discusses the analysis done on e-commerce zones in the Medford area.
- 245 Rep. Esquivel Adds additional information regarding the Medford study. Questions and answers interspersed with Chair Butler.
- 268 Ayala Discusses scenario of corporate tax liability stated in the revenue impact statement (Exhibit 12).
- 298 Rep. Esquivel Adds that the impact statement information is used as one of the tools for the economic development council in southern Oregon. Discusses the e-commerce site program in Medford.
- 336 Ron Fox Discusses the background of e-commerce. It was designed to provide an incentive for businesses doing commerce over the internet. The limitation to this type of business is that there are no production investments as there are with traditional businesses.

- 395 Chair Butler Asks where the other two e-commerce zones are located.
- 400 Fox Responds that they are in Burns and northeast Portland. Adds that there are pending projects for additional e-commerce zone designations in northeast Portland.
- 423 Rep. Riley Comments that an e-commerce zone must first be designated as enterprise zone. Discusses parameters of enterprise zones.

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- 044 Rep. Hass Discusses e-commerce legislation in the 2001 regular session. Comments that each time a new enterprise zone is created, the impact is “watering down” the existing zones. Expresses concern about subsidizing certain types of businesses like call centers that pay low wages.
- 072 Chair Butler Comments about an Eastern Oregon program using tax incentives to attract businesses to the area.
- 094 Rep. Galizio Asks for a definition of e-commerce
- 096 Fox The term “e-commerce zone” is an overlay of the enterprise zone. Enterprise zones were created in areas that were experiencing “economic distress.” The definition of e-commerce is that it must be documented that a substantial portion of commerce is conducted over

the internet. The current standard is 51% or more of transactions done over the internet.

- 116 Rep. Galizio Asks if there is anything in the legislation to prohibit outsourcing. Is a business required to have a certain percentage of jobs that are physically present in the community?
- 134 Fox Responds that a business must be able to show a 10% incremental increase in employment in that location over three years. New jobs are considered to be the incremental increase.
- 155 Rep. Esquivel Comments about the free trade zone designation at the airport area in Medford.
- 169 Fox Adds that wages have to meet 150% of county average in an enterprise zone.
- 175 Chair Butler Comments about the proposed change in HB 2234 that would remove restrictions on the current 49 enterprise zones allowing the overlay of the e-commerce zones.
- 180 Fox Responds that if the bill is passed, the existing 45 enterprise zones that do not have e-commerce zones could apply for the e-commerce zone designation.

- 200 Debra Buchanan Comments that the Dept. of Revenue attorneys recommend technical corrections in the long-term enterprise credit.
- 218 Chair Butler Responds that a discussion on the technical corrections will take place at a future meeting.
- 221 Chair Butler General comments to the committee.
- 231 Chair Butler Adjourns meeting at 2:14 p.m.

Tape Log Submitted by:

Reviewed by:

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Kim Taylor James, Committee
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Exhibit Summary:

1. 1. HB 2776, Staff Measure Summary, Ayala, 1 pg., 03/23/05
2. 2. HB 2776, Revenue Impact Statement, Ayala, 1 pg., 03/23/05
3. 3. HB 2776, Testimony, Hamrick, 1 pg., 03/23/05
4. 4. HB 2776, Handout: Preservation Plan, State of Oregon, 15 pp., 03/20/01
5. 5. HB 2776, Testimony, Ebner, 1 pg., 03/23/05
6. 6. HB 2776, Handout: E-Mail message, Ebner, 2 pp., 03/23/05
7. 7. HB 2776, Testimony, Stieber, 1 pg., 03/23/05

8. 8. HB 2776, Testimony, Deister, 1 pg., 03/23/05
9. 9. HB 2776, Testimony, Dotterer, 1 pg., 03/23/05
10. 10. HB 2776, Testimony, Sterup, 1 pg., 03/23/05
11. 11. HB 2234, Staff Measure Summary, 1 pg., Ayala, 03/23/05
12. 12. HB 2234, Revenue Impact Statement, 1 pg., Ayala, 03/23/05
13. 13. HB 2234, Testimony, Oregon Revenue Coalition, 3 pp., 03/23/05